

THE IMPACT OF COVID-19 ON THE INDIAN ECONOMY

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ABSTRACT

The present pandemic, caused by severe acute respiratory syndrome coronavirus, situation and the countrywide lockdown deeply impacted the Indian economy. It is the first and foremost human disaster in 2020. The outbreak of the pandemic brought social and economic life to a standstill. It hit hard the income of all the retailers selling non- essential items. There has been significant decline in revenue and job losses. Weak income growth and job losses impacted the economy's demand even after the lockdown too. The worst affected sectors include aviation and tourism, transportation, Automotive and telecom etc. Due to rapid increase in number of COVID-19 cases, the government closed all the public and private offices, factories and restricted mobilisation countrywide. Slowly and gradually, with increase in the number of infection cases, India became the hotspot for the coronavirus. As per the Ministry of Statistics, the pandemic resulted in the largest contraction ever in GDP. There was sharp rise in unemployment. Many industries like tourism, hospitality and many more collapsed. In this paper we will discuss the impact of COVID-19 on the Indian economy and the steps taken by the government to resolve the problem and to motivate the citizens of India to boost up the economy.

KEYWORDS: Pandemic, COVID-19, Sectors, Educational institutions, Lockdown, Travel and Tourism, Impact

INTRODUCTION

The world is in the midst of COVID-19 pandemic. This disease, caused by severe acute respiratory syndrome coronavirus, has its origin from China. Coronavirus may cause illness from the common cold to more other serious diseases. COVID-19 has impacted so many countries of the world in a disruptive manner. A world which always seems to ignite with so many people moving around here and there and buzzed with activities has fallen silent. The outcome of COVID-19 pandemic has been seen in various sectors including tourism, education, hotels, banking, hospitality, IT, media and others. COVID-19 has triggered large erosion of demand globally resulting in a sharp decline in the prices of crude oil due to absence of demand on account of the prevalence of lockdown. India imports more than 80% of its crude oil requirements. Crude oil is used as a raw material by a lot of companies. A significant change in the price of crude oil has direct impact on India's current account deficit.

According to World Health Organisation, the first case in India was reported on 30 January 2020. Since then the cases have increased rapidly which resulted in the biggest health crisis. On 11 March 2020, WHO declared Novel Coronavirus Disease outbreak as a pandemic and recapitulate the countries to take immediate actions regarding the issue and spread awareness in order to save life of the people. As the situation become critical, Prime Minister Mr. Modi announced the first lockdown for 21 days on 24 March 2020 to curb the spread of the disease with the slogan 'Jaanhai to jahaanhai'. Even after the first lockdown the situation was not under control. The cases were increasing rapidly which forced the government to extend the lockdown. It turned out to be the biggest ever lockdown across the world in the history. This lockdown continued for two months. Meanwhile, PM Modi proposed the *AtmanirbharBharat Abhiyan* and said that the pandemic was an opportunity to self introspect yourself and increase self- reliance.

Different Phases of Lockdown

SERIAL NUMBER	PHASES	DURATION
1	Phase 1	25 March- 14 April
2	Phase 2	15 April - 3 May
3	Phase 3	4 May - 17 May
4	Phase 4	18 May - 31 May

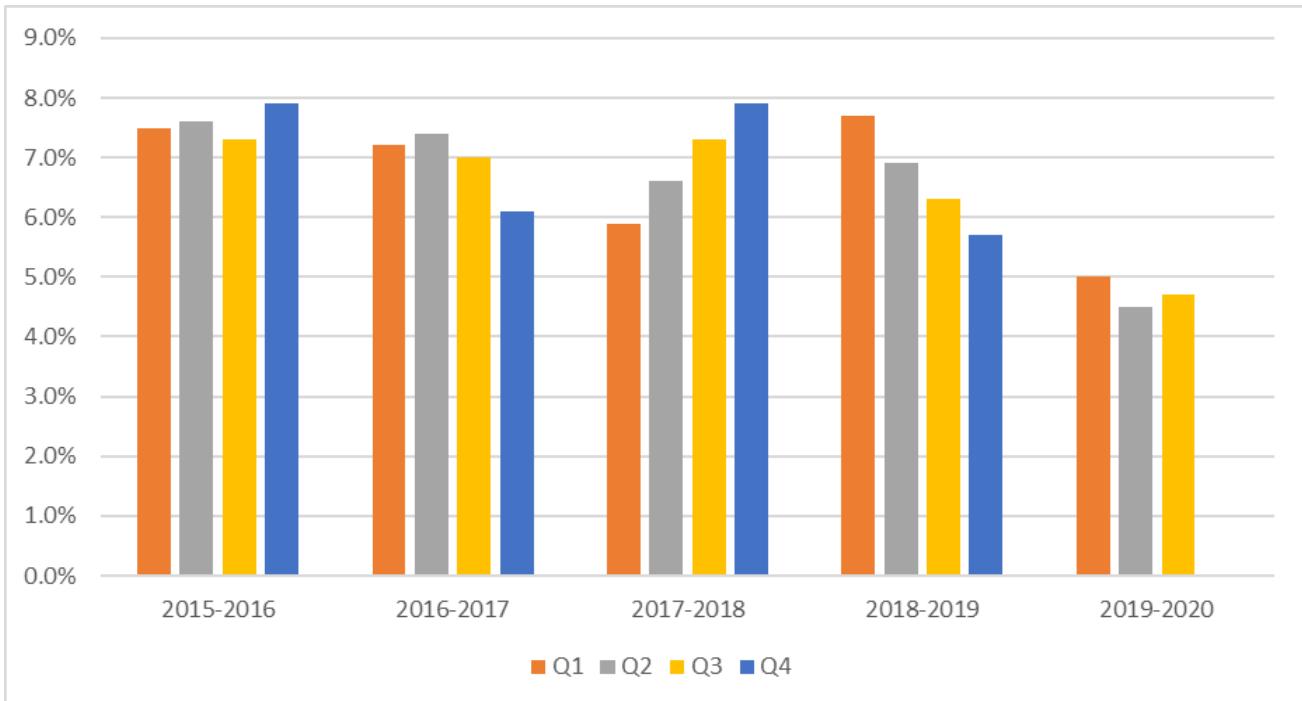
The lockdown was announced so that the government should get time to prepare well the health system and make sure the availability of masks and sanitizers. The public health system of India is not so strong in comparison of other developed countries of the world. The share of Indian government on public health system is only 1.5% of the total GDP, according to National Health Accounts' estimate. All non- essential services including educational institutions, places of religious worship, gymnasium, movie theatres and the other places of social gathering stayed closed during the lockdown and all means of travel were stopped. The national borders of the country closed and trade and commerce came to a halt. Since no work was going on in the country, the people do not have any other option left than to return back to their home. As a result more than 50 million migrant workers returned back to their homes, the Chief Labour Commissioner figured. There

was no job or income. Subsequently from end May and June onwards the government announced “unlock 1” with relaxation in only few areas and not everything was opened. While the lockdown continued in the red zone or the containment zones. Domestic flights have been allowed on 25 May with limited operations under the guidelines given by the government in order to ensure safety of the passengers. On July 1, the government announced “unlock 2” and issued new guidelines. Certain relaxations were given in some other areas but the schools, colleges, gyms etc. remained closed. While vehicular movement within the states was allowed there remained a night curfew in almost all states. Again new guidelines were issued by the government from 5th August onwards with the announcement of “unlock 3”. Under this the gymnasium and the yoga centres were opened. Then slowly and gradually everything opened in “unlock 4” (1st September onwards) and “unlock 5” (October onwards) except the educational institutions. Unlock 5 was seen more as a society. But our economy will take a lot of time to recover and return to a normal state since it is a huge loss.

India’s GDP Trend

Quarter	2015-16	2016-17	2017-18	2018-19	2019-20
Q1	7.5%	7.2%	5.9%	7.7%	5.0%
Q2	7.6%	7.4%	6.6%	6.9%	4.5%
Q3	7.3%	7.0%	7.3%	6.3%	4.7%
Q4	7.9%	6.1%	7.9%	5.7%	

Source: Ministry of statistics and Programme Implementation (2020)



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Sector-wise Impact of COVID- 19

▪ **UNORGANISED SECTOR**

COVID- 19 has its worst effect on those with low- income group and those who do not have any permanent job. India’s informal sector is the largest in the world. As per Government of India statistics, total share of informal sector in the country’s overall GDP accounts for about 50%. It includes daily- wage workers and workers working in Micro, Small and Medium Enterprises. This pandemic leads to rapid increase in the rate of unemployment. These workers do not have enough money to meet the minimum needs. They may not die from corona but will definitely die from starvation.

▪ **EDUCATION**

All the educational institutions including schools, colleges and coaching centres have been closed since March 2020 to ensure safety of the students. Although this measure was taken by the government to prevent the spread of disease among the children but this leads to the negative impact upon their academic progress. This pandemic has changes the traditional way of education to the online mode. But most educational institutions do not have well

equipped digital technology due to which they are facing a lot of problems. There has been delay in the conduction of examination and the admission processes.

▪ **AGRICULTURE**

In India, more than half of the population depends upon agriculture for their survival. This pandemic affected the farmers so much as due to prevalence of curfew because of the countrywide lockdown they were not able to sell their crops in the market. Farmers do not have any other source of income. With the prolonged countrywide lockdown, there has been disruption in the supply chains. Before this pandemic, there was only demand crisis in our country but now Indian economy is experiencing both demand as well as supply slowdown. As a result both formal and informal sectors have been adversely affected. Food exports of India like tea, spices and other products that are exported to other countries have been impacted due to both decrease in demand and domestic supply chains. Although after the lockdown, there has been low impact on vegetables, milk, fruits etc.

▪ **STREET VENDORS**

The outbreak resulted in huge losses for those residing on streets. It is the only means of their livelihood and during the lockdown they have nothing to do. As a result, the street vendors lost their source of income. This in turn led to starvation as most of them were not able to meet even their basic needs i.e. they could not feed their families. Even after the lockdown it has been estimated that there was drastic reduction in the income of vendors as compared to the pre COVID-19 era.

▪ **TRAVEL & TOURISM**

Travel and tourism industry plays an important role in the contribution to GDP of the country as it leads to the generation of foreign exchange and boost the economic growth of the nation. It provides employment to so many people, being a labour- intensive sector. During the pandemic and the resulting lockdown, this is one of the worst hit sector. Before COVID-19, this sector was developing rapidly. In India, out of total contribution, this sector accounts for 8.1% of total employment, as per Statista Research Department. There has been tremendous improvement in the infrastructure for air, road and rail connectivity. Since domestic and international flights have been cancelled since March due to the prolonged lockdown, the revenue of this sector got so down. It has been estimated that around 70% job loss among the total workforce resulted from travel and tourism industry across the entire country, reported by KPMG, a financial services and business advisory firm, since the international borders were sealed and the flights were not allowed. Tourism sector has incurred great losses. Tourists cancelled their holiday plans. All the international conferences, important meetings and the events were cancelled and nobody was allowed to move from place to places. It has been estimated that due to this outbreak and the lockdown, around 3.8 crore people faced the situation of unemployment in the country, a report by KPMG. After the lockdown only domestic flights were permitted but now few international flights are also opened. This pandemic resulted in huge losses of aviation and travel sector.

▪ **HOSPITALITY**

COVID-19 pandemic hit hard the hospitality sector since hotels all over the country were closed. This sector depends upon the travel and tourism sector, as a result both were adversely affected. The lockdown resulted in the suspension of all the holiday trips and bookings. So, many people lost their jobs since there was no work and many were employed on contractual basis. The reports and experts estimated that around 15-25 percent of employees working in this sector are employed on contractual basis.

▪ **INDIAN RAILWAYS**

COVID-19 pandemic also affected the railways drastically. It led to the cancellation of all the passenger services from March and this continued till May. This sector incurred huge loss of about Rs 35000 from passenger train segment, according to Indian Railways.

GOVERNMENT INITIATIVES

- The Finance Minister announced Rs 1.76 lakh crore **Relief Package** on 26 March 2020 aiming at softening effect of this disruption. It would largely benefit the unorganised sector workers especially the daily- wage earners, rural and urban poor.
- In the second week of May 2020, PM Modi announced **AatmaNirbhar Bharat Package or Self- Reliant India Movement** and highlighted its five pillars- Economy, System, Infrastructure, Demand and Vibrant Demography.
- The government announced relief to construction and daily wage workers of Rs 1000 per person for all States and Union Territories.

- The government also announced various measures as a part of Atmanirbhar package for agriculture in May, 2020. Some of them includes-
 - 1.) Rs 1 lakh crore Agri Infrastructural Fund for farm- gate infrastructure for farmers.
 - 2.) Rs 20,000 crores for Fishermen through Pradhan Mantri Matsya Sampada Yojana.
 - 3.) Rs 15,000 crores Animal Husbandry Infrastructure Development Fund.
 - 4.) Rs 4000 crores for promotion of Herbal Cultivation.
 - 5.) Rs 500 crores for improving supply chains for vegetables and fruits.

CONCLUSION

The outbreak of COVID-19 has brought social and economic life to a standstill. The impact of the pandemic on the economy is largely disruptive. Each and every individual is struggling. Consequences are borne by almost all the sectors of the economy. GDP has shown the largest ever contraction. Now the economy will take time to recover and get back to the normal situation.

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